

**South Placer Municipal Utility District
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009**

This section of the South Placer Municipal Utility District (SPMUD or District) annual financial report presents management's analysis of the District's financial performance for fiscal year ending June 30, 2009 (FY 08/09). This report should be reviewed in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 08/09

SPMUD provides sewer service to a population of approximately 74,000, from the City of Rocklin, Town of Loomis, and surrounding unincorporated areas in south Placer County (based on 29,600 EDU x 2.5 people/EDU). Significant changes in the District for the 2008/09 Fiscal Year are summarized in Table 1 below:

TABLE 1: DISTRICT CHANGES

DESCRIPTION	UNITS	FISCAL YEAR		CHANGE	
		2007-08	2008-09	AMT	%
EDU	EACH	29,114	29,556	442	+1.5%
ACCOUNTS	EACH	19,583	19,868	285	+1.4%
MAIN PIPELINE	MILES	243.6	244.7	1.1	+.45%
SERVICE FEE/ EDU	MONTHLY	\$ 20.50	\$ 20.50	\$ 0.00	0%
NET ASSETS	MILLION	\$ 90.70	\$ 92.34	\$ 1.64	1.81%
TOTAL REVENUES	MILLION	\$ 12.01	\$ 10.36	\$ -1.65	-13.7%
TOTAL EXPENSES	MILLION	\$ 9.05	\$ 9.11	\$ 0.06	0.66%

OVERVIEW OF THE FINANCIAL STATEMENTS

The South Placer Municipal Utility District's annual Audit Report is comprised of three components: this Management Discussion and Analysis (MDA), the basic financial statements, and required / other supplementary information. The MDA purpose is to provide a fact-based summary of the District's financial status from management's perspective. The basic financial statements must include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows, and includes Notes to the financial statements for additional details. The other supplementary documents explain items in detail and provide additional information. This Report will provide an indication of how well SPMUD is doing financially.

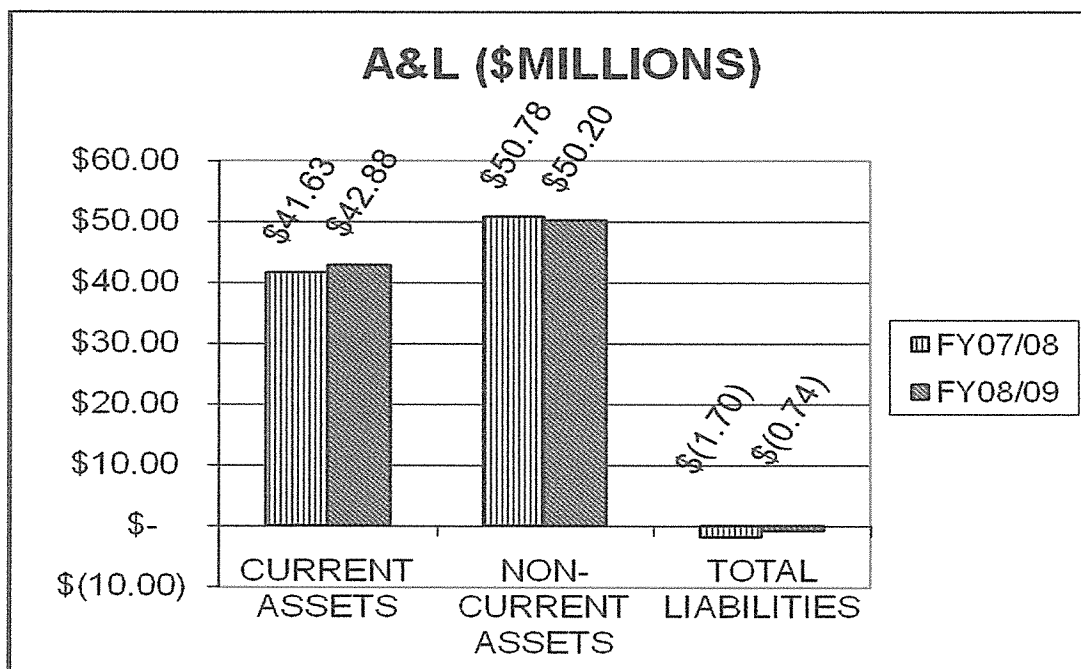
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FINANCIAL ANALYSIS OF THE DISTRICT

ASSETS AND LIABILITIES

My analysis of our Financial Statements for Assets and Liabilities is summarized in Table 2 & Chart 1.

TABLE 2- ASSETS AND LIABILITIES (IN MILLION \$)			
ITEM	FY07/08	FY08/09	CHANGE
CURRENT ASSETS	\$ 41.63	\$ 42.88	3.00%
NON-CURRENT ASSETS	\$ 50.78	\$ 50.20	-1.14%
TOTAL LIABILITIES	\$ (1.70)	\$ (0.74)	56.5%
NET ASSETS	\$ 90.70	\$ 92.34	1.81%
TOTAL ASSETS	\$ 92.41	\$ 93.08	0.72%



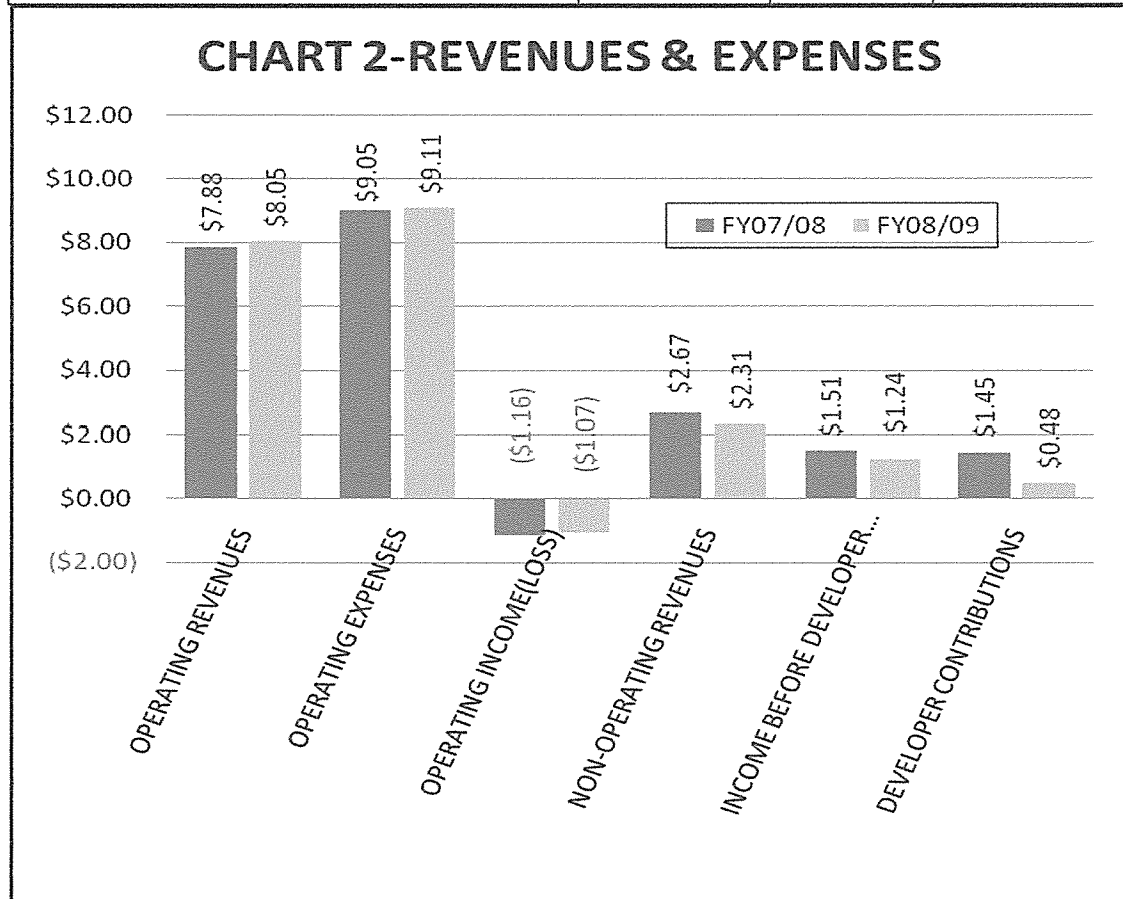
SPMUD Total Net Assets increased by \$1.64M (1.8%) over last year from \$92.41M to \$93.08M; with our cash assets increasing by \$1.51M (3.9%). This was due to new service connections, the sale of our old headquarters building in the Town of Loomis, and lower capital improvement expenses. The District added another mile of sewer main and other depreciable items to our system for a total capital value of \$49.85M, net of accumulated depreciation and is reflected in our non-current assets. The total liabilities and net assets have increased by \$676,000, which is a ¾ percent increase from last year.

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REVENUES AND EXPENSES

Analysis of our Financial Statements for Revenues and Expenses is summarized in *Table3 & Chart 2.*

TABLE 3: REVENUES AND EXPENSES (IN MILLION \$)			
ITEM	FY07/08	FY08/09	CHANGE
OPERATING REVENUES	\$ 7.88	\$ 8.05	2.2%
OPERATING EXPENSES	\$ 9.05	\$ 9.11	0.7%
OPERATING INCOME(LOSS)	\$ (1.16)	\$ (1.07)	7.8%
NON-OPERATING REVENUES	\$ 2.67	\$ 2.31	-13.48%
INCOME BEFORE DEVELOPER CONT.	\$ 1.51	\$ 1.24	-17.9%
DEVELOPER CONTRIBUTIONS	\$ 1.45	\$ 0.48	-202.1%
NET ASSETS	\$ 90.70	\$ 92.34	1.8%



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REVENUES AND EXPENSES (Continued)

The District's total operating revenues from customers increased by 2.2 percent, mainly due to the increase in EDU's. Sewer service charges and fees increased by about \$150,000 over last year. Our operating expenses increased by 0.7% due to RWWTP O&M cost (which is over 60% of our annual O&M expenses). The \$1.07M shortfall between operating revenues and expenses is being made-up for by the \$2.31M in non-operating revenue (mainly interest on cash [\$1.06M] and property taxes [\$0.72M]).

The SPMUD Board of Directors did not increase the service fee for FY 2008-09 because the District was completing a new Master Plan and new five-year financing plan.

Our connection fees increased by 1.7% or \$11,825, going from \$0.684M to \$0.696M. The Capital Contributions decreased by over 66% (-\$0.97M), going from \$1.45M to \$0.48M. These contributions added one mile of sewer main pipe, 285 new connections, and other sewer system appurtenances. This is far below our past ten year average of over 1000 EDUs/year.

BUDGETARY HIGHLIGHTS

I compared our FY08-09 budget to our actual revenues and expenses for the same period with the following results (in million dollars):

TABLE 4- FY 08-09 BUDGET ANALYSIS (million \$)

<i>OPERATING FUND</i>	ACTUAL	BUDGET	CHANGE	VARIANCE
REVENUES	\$ 8.77	\$ 8.72	\$ 0.05	0.6%
EXPENSES	\$ 8.57	\$ 8.41	\$ -0.16	-1.9%
<i>CAPITAL FUND</i>				
REVENUES	\$ 1.60	\$ 1.41	\$ 0.19	13.4%
EXPENSES	\$ 1.21	\$ 2.01	\$ 0.80	40.0%

Table 4 shows that we were accurate for FY08/09 for our general fund, as our actual General Fund revenues and expenses are a ½ percent higher than the budget estimates.

CAPITAL ASSET ACTIVITY

The Capital Fund revenues are 13.4% above our budgeted amount because we under estimated the number of new connections to the system. Our actual capital expenses were over half million dollars less than the budget amounts or 40% because certain projects were either deferred or budgeted expenses were not required. The largest projects in the capital fund were the completion of the Sewer Master Plan and Hydraulic Study. The remaining capital activity was for office and field equipment replacement and repair of existing facilities.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

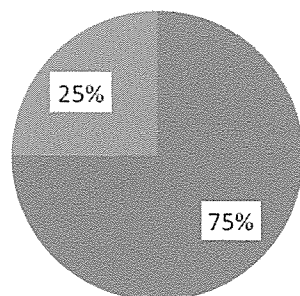
Table 5 summarizes our current year (FY 09/10) Budget outlook. Our total unrestricted net assets are projected to increase \$1.10 million (\$43.69 - \$42.59M) by the end of the fiscal year due to a \$2.00 monthly sewer service charge increase; our monthly service fees have increased to \$22.00. Our FY09/10 General Fund Budget is 6.1% greater than for FY08/09 due to the increase in RWWTP O&M cost charged by the City of Roseville (the cost of wastewater treatment is expected to increase by 4.8%). We have programmed \$1.0M in capital outlays in FY09/10; this is \$300,000 more than we spent the previous year. We will not be adding any new employees during the 2009/10 fiscal year. The District growth is expected to continue to slow over the next few years and there is a possibility that the State will "take away" some of our property tax share to balance the state budget. The District continues its efforts to work with Newcastle Sanitary District to annex them into SPMUD.

TABLE 5

FY 2009-10 BUDGET REVIEW				
REVENUES				
GENERAL FUND		CAPITAL FUND		TOTAL
\$ 8,250,000.00		\$ 2,731,000.00		\$10,981,000.00
EXPENDITURES				
MAINTENANCE	TREATMENT	ADMINISTRATION	CAPITAL	TOTAL
\$ 1,223,200.00	\$5,300,000.00	\$ 1,791,000.00	\$3,724,000.00	\$12,038,200.00
PROJECTED CASH FY09/10 YEAR-END BALANCES				
GENERAL		CAPITAL		TOTAL
\$ 6,458,000.00		\$ 37,229,000		\$43,687,000.00

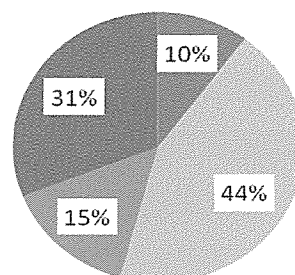
REVENUES

■ GENERAL FUND ■ CAPITAL FUND



EXPENDITURES

■ MAINTENANCE ■ TREATMENT
■ ADMINISTRATION ■ CAPITAL



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CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This Financial Report is designed to provide the District's customers and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability. Questions about this report should be addressed to the General Manager, in writing to: SPMUD, 5807 Springview Drive, Rocklin, CA 95677, or by telephone at (916) 786-8555, or e-mail at cclark@spmud.ca.gov.

South Placer Municipal Utility District
Statement of Net Assets
June 30, 2009

Assets

Current Assets	
Cash and investments	\$ 40,517,503
Accounts receivable	2,181,290
Interest receivable	91,856
Loan receivable	30,311
Prepaid expense	59,190
Total current assets	<u>42,880,150</u>
Noncurrent Assets	
Loan Receivable	<u>353,323</u>
Capital assets	
Nondepreciable capital assets	
Land	<u>435,860</u>
Depreciable capital assets	
Buildings	2,655,589
Sewer system	56,736,253
Equipment	571,517
Office furniture and equipment	198,126
Vehicles	1,232,785
Less accumulated depreciation	<u>(11,980,014)</u>
Total depreciable capital assets	<u>49,414,256</u>
Total capital assets (net of accumulated depreciation)	<u>49,850,116</u>
Total noncurrent assets	<u>50,203,439</u>
Total assets	<u><u>\$ 93,083,589</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 424,304
Due to other government	26,695
Accrued payroll	64,168
Customer deposits	1,384
Total current liabilities	<u>516,551</u>
Long-Term Liabilities	
Due within one year	77,218
Due in more than one year	150,534
Total long-term liabilities	<u>227,752</u>
Total liabilities	<u>744,303</u>
Net Assets	
Invested in capital assets net of related debt	49,850,116
Unrestricted	42,489,170
Total net assets	<u>92,339,286</u>
Total liabilities and net assets	<u><u>\$ 93,083,589</u></u>

The accompanying notes are an integral part of these financial statements

South Placer Municipal Utility District
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Operating revenue	
Sewer service charges	\$ 7,250,894
Connection fees	696,125
Permits, plan check fees and inspections	<u>102,231</u>
Total operating revenues	<u>8,049,250</u>
Operating expenses	
Collection and treatment	6,927,431
Administration and general	1,130,248
Depreciation	<u>1,058,521</u>
Total operating expenses	<u>9,116,200</u>
Operating income (loss)	<u>(1,066,950)</u>
Nonoperating revenue (expenses)	
Property taxes	718,957
Interest income	1,059,780
Gain on sale of assets	496,039
Other revenues	<u>39,219</u>
Nonoperating revenues (expenses)	<u>2,313,995</u>
Net income before capital contributions	1,247,045
Capital contributions	<u>477,350</u>
Increase (Decrease) in net assets	1,724,395
Net assets, July 1	90,703,247
Prior period adjustment	<u>(88,356)</u>
Net assets, June 30	<u><u>\$ 92,339,286</u></u>

The accompanying notes are an integral part of these financial statements

**South Placer Municipal Utility District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009**

	<u>Total</u>
Cash flows from operating activities:	
Cash receipts from customers and users	\$ 8,115,551
Cash payments to suppliers for goods and services	(6,137,613)
Cash payments to employees for services	<u>(2,426,518)</u>
Net cash provided by (used in) operating activities	<u>(448,580)</u>
Cash flows from noncapital financing activities:	
Property taxes received	718,957
Other non operating revenue received	39,219
Operating transfers in	2,944,364
Operating transfers out	<u>(2,944,364)</u>
Net cash provided by (used in) noncapital financing activities	<u>418,963</u>
Cash flows from capital and related financing activities:	
Sale of capital assets	506,664
Additions to capital assets	<u>(192,062)</u>
Net cash provided by (used in) capital financing activities	<u>314,602</u>
Cash flows from investing activities:	
Interest received on investments	<u>1,223,794</u>
Net decrease in cash and cash equivalents	1,508,779
Cash and cash equivalents, beginning of year	<u>44,485,440</u>
Cash and cash equivalents, end of year	<u><u>\$ 40,517,503</u></u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents, June 30	<u><u>\$ 40,517,503</u></u>
Reconciliation of operating income (loss) to	
net cash provided by operating activities	
Operating Income (Loss)	\$ (1,066,950)
Adjustments to reconcile operating income (loss) to	
net cash provided by operating activities:	
Depreciation	1,058,521
Changes in assets and liabilities:	
Accounts receivable	79,171
Prepaid expenses	(3,043)
Accounts payables	(543,283)
Accrued payroll	10,893
Deposits	(12,869)
Compensated absences	<u>28,980</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (448,580)</u></u>

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